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# THE JOURNAL OF POLITICAL ECONOMY

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## THE FREE COINAGE OF SILVER.

If there could properly be said to be a Silver Party in the United States, it might be added that this party consist of three clearly distinct classes.

First, we have almost *en masse* the inhabitants of the silver-producing States. These citizens have what is called a particular interest as distinguished from a participation in the general interest. The rehabilitation of silver as a money metal, in the position it occupied down to 1873, would, to these people, mean a higher price for the product of their community or section, perhaps of their own individual properties. This is what makes them "Silver men." It would at first seem that this party could not be very influential, being so few in number. Mr. Atkinson has said that the silver product of the United States is of less value than the hen-crop. I have not verified this computation; but the statement has a not unreasonable sound. The silver-mining industry is, at the best, not one of the larger, but one of the smaller, industries of the country. There are scores which exceed it in pecuniary importance; some which exceed it in value of product, two, three or five to one. Yet, few as the class of persons under discussion are in numbers, they have, for many years, exerted a very powerful influence, and this for several reasons.

First, because they are so directly and largely concerned as to make their interest intense and to render them highly

active and aggressive in promoting the objects they seek, even to the subordination of ordinary party obligations.

Secondly, because this industry is so far localized and concentrated as to give it complete and sole control of a certain definite section, which is ready to go one way or to go the other, as this object may require. In the closely controlled politics of the past sixteen years, any interest which could command a few members of Congress, or deliver a few votes in the Electoral College, could exert a great influence, often to the extent of compelling both parties to bid against each other for its support.

Thirdly, because, under the system of equal representation in the Senate, the silver-producing States, some of them mere mining camps, are able to cast as many votes in that branch of Congress as twenty, forty or sixty times their numbers in States like Illinois and Ohio, Pennsylvania and New York. The recent admission of eight new States has greatly increased the power of this faction in the Senate.

Fourthly, because of certain peculiar romantic, sentimental or otherwise irrational, ideas popularly connected with the production of the precious metals. Had the particular or selfish interest of the communities in question been petroleum or lime, any extravagant demands made by them, on its behalf, would have been far more easily denied and repulsed by the general voice of the nation. But gold and silver have had a curious fascination for the men of all ages and countries; and to thousands of Americans, neither personally interested in silver production nor inclined toward hard money, an appeal in favor of silver mining has a sort of patriotic sound. It is not so easy to hold up to ridicule and contempt a really selfish appeal made in this name as it would be in the case of coal or iron. Against such a shield of prejudice the point of argument is already half blunted before it strikes.

It is not an uninteresting feature of the party we are describing that some of its members are not, in their general way of thinking, inflationists or cheap money men. Take Senator John P. Jones, of Nevada, for example. Unless reports highly credible

in themselves and well corroborated evidence are at fault, it was to him the nation was chiefly indebted for the veto of the greenback inflation bill of 1874. It is, I think, generally believed that it was Senator Jones's arguments and appeals which caused President Grant to retract his purpose of allowing that bill to become a law; and it is further generally believed that it was Senator Jones himself who wrote the substantial portions of the vigorous and telling message in which the President vetoed that measure, and sounded the first notes of the brilliant contest for sound money which, within two years, resulted in the complete overthrow of "the Ohio idea" in national politics.

Another illustration in point is furnished by the attitude of the State of California on the silver question. During the war of secession, California held out for gold against the greenback legislation of Congress; declared for sound money on the Pacific Coast; and by acts savoring not a little of nullification, with a judicious admixture of mob law, prevented the circulation of irredeemable paper money within its own borders. Yet California is now supposed to be solid for the free coinage of silver. The reason is not far to seek: the silver mines of the Northern Cordilleras being largely owned in San Francisco.

The second element of the silver party of to-day is made up of those who, without any particular interest in the production of that metal, are yet, in their general economic views, in favor of super-abundant and cheap money. Among the leaders of this element are found the very men who, between 1868 and 1876, were foremost in advocating the greenback heresy. Beaten on the issue of greenback inflation, they have taken up the issue of silver inflation. They have adopted the cause of silver, not because silver is more valuable than paper (which they prefer), but because it is, and especially because it promises still further to become, cheaper than gold at the legal ratio. They are for silver because, in their view, it is the next best thing (by which they mean, the next worst thing) to greenbacks. The idea of making seventy cents' worth of metal into a dollar attracts them; but the intensity of their zeal is only accounted for by

the hope that the amount of silver going to a dollar will soon be only forty cents. Such a prospect is truly alluring to the genuine inflationist.

The inflationist, like the poor, we have always with us. Political education, the growth of sound economic ideas, the establishment of manufactures, trade and banking will do much to diminish the number of the members of this class; but humanity will have to pass through many more stages of refinement and elevation before that element will be entirely eliminated. The instinct of spoliation and confiscation, the passion for making something out of nothing and much out of little, the desire to pay debts in depreciated money, are too deeply implanted in poor, fallen human nature to give way altogether, either to ethical instruction or to demonstrating that, in the long run, honesty is the best policy. There are thousands and tens of thousands in Massachusetts to-day, who, if removed west of the Mississippi, or only even beyond the Alleghenies, would be rampant inflationists, but are here overawed by the dominant sentiment of the community, or are silent because they see no chance to act with effect in such a hopeless minority.

Those who constitute the element now under consideration are not bimetallists. Bimetallism will rob the free coinage of silver of half its charms for them. What they want is silver "inflation." It is from this source, and not from the silver-producing States, that the greatest danger to the integrity of our national currency has arisen. That danger is to be met by defiance and uncompromising resistance. It is to be met, not as it was in 1890, but as it was in 1891 and 1892. It should be fought from the start, on the line; fought tooth and nail; fought to the death. Thus encountered, the instincts of spoliation and confiscation, which every now and then spring into activity and clamor for inflation, are not greatly to be dreaded. The lesson of the greenback fight should never be lost to the instructors of youth or to the statesmen of America. The moral obliquity, the economic folly, which underlie every popular demand for bad money, are fatal to its advocates before the people, whether

on the stump or in the press. The only way to make inflationism truly dangerous is to be afraid of it. Once the calm, unfaltering eye of courageous reason is fixed on the savage thing that would rend the nation, it shrinks back, o'ermastered, to its lair. I, for one, have so much confidence in the American people, when an issue is fairly made before them, that I should never doubt the result of a contest in which the friends of honest money knew the power of their case, and met every proposition hostile to the nation's honor with flat denial and outright defiance. The only danger lies in compromises and concessions like that of 1890.

The third element in the Silver Party of the United States is one that has little in common with those which have been described, except by the accident of the situation. It comprises the convinced bimetallists of the country; men who believe with Alexander Hamilton<sup>1</sup> and the founders of the republic that it is best to base the circulation upon both the precious metals. These men are bimetallists, because they believe that that system will at once avoid the evils of a restricted money supply, secure an approximate par of exchange between gold countries and silver countries, and promote stability of value in the money of the commercial world. They are not inflationists, although, in accordance with their general views regarding the importance of the *status* and the evils of disturbing the existing structure of industrial society, they strongly deprecate contraction.<sup>2</sup>

Such are the elements which compose what I have ventured to call the silver party, though there has never been, in truth,

<sup>1</sup> "Upon the whole it seems to be most advisable not to attach the unit exclusively to either of the metals; because this cannot be done effectually without destroying the office and character of one of them as money, and reducing it to the situation of a mere merchandise. . . . To annul the use of either of the metals as money is to abridge the quantity of the circulating medium, and is liable to all the objections which arise from a comparison of the benefits of a full with the evils of a scanty circulation."—Report on the Mint.

<sup>2</sup> On this point I cannot but hold the position of the leading gold monometallists of the United States to be blameworthy almost to the point of dishonesty.

any organized party which brought the three classes together. As yet no issue has arisen which has put all these people upon one side. On the harmless question of authorizing the appointment of commissioners to an international conference in the interest of bimetallism, both houses of Congress have more than once been practically unanimous; but it would be idle to found much in the way of conjecture upon such a basis of fact. On the question of the free coinage of silver, bimetallists have been arrayed against each other; some sincere, disinterested and not altogether unintelligent bimetallists favoring that measure,<sup>1</sup> while a far greater number of this class have opposed free coinage as eagerly as a gold monometallist possibly could.

It is those who advocate free coinage, whether from a particular interest, or as inflationists seeking cheap and bad money, or as bimetallists, believing that free coinage in the United States would, of itself, or by its influence upon the halting states of Europe, bring about a return to an approximate par of exchange between the two metals, of whom we are now to speak.

The free coinage party, with us, derive a certain degree of strength beyond that proper to their own numbers and character, from the fact of having a grievance. Now, a grievance may make a comparatively helpless man for the time quite formidable; and a grievance the silver people, in the restricted sense in which we now use that term, think they have. A grievance they certainly have, though by no means as great as they regard it, since the element of intentional wrong is absent from it. That grievance arose in this way. In 1873, nearly coincidentally with the demonetization of silver by Germany, Congress revised the coinage laws of the United States, making many changes, great or small, and reducing the whole body to a compact and systematic form. In the course of this the silver dollar of 412½

<sup>1</sup> To illustrate, I believe that Gen. A. J. Warner, of Ohio, who has been very prominent in the Free Coinage propaganda, is as truly and sincerely an international bimetallist as I am. I think he appreciates the proper bimetallic argument, and that he would deprecate inflation or a depreciated silver currency as much as any one. It is a belief in the competency of the United States to establish free silver coinage by its own strength which puts him on that side.

grains, "the dollar of our fathers," was dropped out; and the United States became, in law, a gold monometallic nation. This constitutes the grievance of the silver people. They have not ceased to declare ever since this fact was discovered (as it for some time was not), that the result was accomplished by a trick, originating in a conspiracy of "gold-bugs" and New York bankers. On this subject the average free-silver advocate will listen to no explanation or excuse. He will have it that the monetary system of the United States, which had been established by Washington, Jefferson and Hamilton, was overthrown by a combination of rascally contrivance and rascally connivance.

Now, as one who has read a good deal from both sides on this subject, I do not believe that any fraud was committed or intended, in making so important a change in the unnoticed way in which it occurred. The country had been for a long time in a state of "suspension," paper money being at a considerable discount, neither gold nor silver, in fact, circulating as money. Our public men had had almost no training in economics or finance. Very few people knew what the monetary system of the country was by law. Fewer still could have given an intelligible account of the French bimetallic scheme. The output of the Nevada mines had, indeed, become very large, but little public attention had yet been given to the matter; none at all to it as affecting the money of the United States. The International Conference of 1867 had, with practical unanimity, recommended the single standard of gold; Germany had just followed this recommendation by demonetizing her silver circulation. The consequence of these acts had, in 1873, hardly been apprehended even by those nearest to the centres of financial operations; the general public mind had not had its attention at all called to the subject. The mighty protest which was to arise and to be repeated from land to land, through a score of years, against the repudiation of silver, had not been intimated at this time. Some committee man, or some few committee men, ran the pen through the silver dollar; and the thing was done. Few



Congressmen outside of the committee knew that any vital change was impending. The measure passed through the usual course ; the bill was duly "read" the regular number of times ; and, without a debate and even without the attention of members generally being called to this feature, the demonetization of silver was effected.

But, while I am thus disposed to discredit the allegation of fraud and of sinister motive, so bitterly urged by the silver men, it not the less seems to me that they have a grievance. No man in a position of trust has a right to allow a measure of such importance to pass without calling attention sharply to it, and making sure that its bearings were fully comprehended. And no man who did not know that the demonetization of silver by the United States was a measure of transcendant importance, had any right to be on such a committee or to put his hand to a bill which touched the coinage of a great country. Everyone knows that but few members upon the floor of Congress read the text of one in twenty of the bills they have to pass upon ; and it is the duty of the committees dealing with any class of subjects to see to it that every proposed change is fully explained and that the attention of the House and of the country is fairly called to it. They are not discharged of their obligations simply by giving members an opportunity to find it out for themselves.

If this be a requirement of ordinary political honesty, much more is it the dictate of political prudence. An important change in the money or in the industrial system of a nation, if effected without full and free and thorough discussion, even though no surprise or concealment be used, is almost certain to be subsequently challenged. "Things," says Bacon, "will have their first or second agitation : if they be not tossed upon the waves of counsel, they will be tossed upon the waves of fortune, and be full of inconstancy, doing and undoing, like the reeling of a drunken man." The unwisdom of a few people assuming to be wise for the whole of a great people, was never more conspicuously shown than in the demonetization of the silver dollar.

So completely without observation was this measure passed,

that it was not for a year or two that the fact of demonetization was popularly known. Then<sup>1</sup> indeed, public interest in the subject became aroused. France and her allies of the Latin Union continued and strengthened their measures of restriction, made necessary by the hostile course of Germany; certain industrial and commercial evils began to be widely experienced, which was popularly attributed to the closing of the French mints; a commission was constituted in England to enquire into the causes of the depression of trade and production; and the investigations of that commission still further increased the general interest in the subject. The price of silver, which had started out of line on the first announcement of the purposes of the German government, began to tumble rapidly as those purposes were accomplished, and as the French demand for coinage was more and more checked. The mean annual rate of exchange by weight, of silver, had been<sup>2</sup> 15½ to one ounce of gold. In 1873, the silver price of gold fell to 15.92; in 1874, to 16.17; in 1875, to 16.58; in 1876, to 17.84, while in July of the latter year it fell to 20.17.

It is small matter for wonder that a course of things like this should have attracted attention very sharply to the American demonetization of silver in 1873 (which had, however, no part in the fall of silver), and should have led to an urgent demand for the restoration of silver to its traditional position. Bills to that effect were introduced into Congress in 1876, but it

<sup>1</sup>The writer was in 1873 Professor of Political Economy at Yale, and was actually engaged in lecturing upon the topic of money. He was, also, a pretty good newspaper reader, and by the accidents of position and personal acquaintance, was fairly well in touch with the men of commerce and banking in the neighboring city of New York. Yet it was long after the passage of the act of 1873 that he first learned of the demonetization of the silver dollar.

<sup>2</sup>Pixley & Abell's tables.

In 1867.....	15.57 oz.
In 1868.....	15.59 oz.
In 1869.....	15.60 oz.
In 1870.....	15.57 oz.
In 1871.....	15.57 oz.
In 1872.....	15.65 oz.

was not until the session of 1877 - 8 that the conservative Senate had been so far influenced by the state of public feeling as to allow a measure of this character to pass. A bill, providing not only for the remonetization of the silver dollar, but for the free—*i. e.*, unlimited—coinage of the same, passed the House, under the leadership of Mr. Bland, of Missouri, by the vote of 163 to 34. In the Senate, the free coinage provision was stricken out; but the silver dollar, when coined, was definitely restored to its debt-paying power. Moreover, it was provided that these dollars should actually be coined, though in limited quantity. Two million dollars' worth of silver bullion as a minimum, four million dollars' worth as a maximum, were to be purchased by the Secretary of the Treasury and coined into dollars of 412½ grains. In addition to these important provisions, the bill, as amended in the Senate, under the leadership of Mr. Allison, authorized the President to take the initiative in the calling of an International Monetary Conference, with a view to securing the coöperation of European nations in measures which should allow of the free coinage of silver. The bill, thus constituted and popularly known as the Bland Bill, though more correctly described as the Allison Bill, passed the Senate 48 to 21. It was vetoed by President Hayes, but was promptly passed over the veto by more than the requisite two-thirds vote in both houses.

Now, of this bill it is to be said, from the point of view of a bi-metallist, that the provision restoring the silver dollar to its legal-tender function was eminently right and just. The people of the United States had, at the very beginning, by general consent, both parties and all classes concurring, founded the circulation upon both metals; and the people of the United States had never purposely, or even consciously, abrogated that arrangement. On the contrary, so soon as the people of the United States came to the appreciation of the fact that this arrangement had been abrogated by their representatives, they were prompt in decreeing the restoration of the silver dollar; and the time which has since elapsed has only strengthened that determination and diminished the size of the minority which, in 1878, questioned the wisdom of this measure.

But the provision for coining two to four million dollars' worth of silver bullion a month, was eminently an unwise one, so far as the interests of international bimetallists were concerned, and was, at the time, so regarded by the leading bimetallists of this country and of Europe. The men who voted against the law of February 28, 1878, largely did so, not because they deprecated the restoration of the silver dollar to its former legal position, but because they deprecated the actual coinage, under the circumstances existing, of any considerable amount of silver. Now, why, if the rehabilitation of silver was a thing to be desired, was it impolitic to initiate a large, though not unlimited, coinage in 1878? The objections to the measure were two-fold.

First, the ratio between gold and silver in the coinage of the United States—16:1—was not coincident with that adopted in the coinage of France, Italy, Belgium and Switzerland (constituting the Latin Union), as well as of some other countries outside that league, viz.,  $15\frac{1}{2}:1$ . Clearly, if it was desirable that the United States should take hold with France and her allies to haul silver out of the slough, it was desirable that all should take hold together and pull together. But we began coining at 16:1, while they would only coin at  $15\frac{1}{2}:1$ ; so that we were, in fact, not pulling with them, but, in some degree, were pulling away from them. Not only was this the necessary logical effect of our coining at a different ratio; but the moral effect was to induce grave scepticism as to our motives on the part of the European States whose coöperation was sought. They might well say: "Yes; but if we are to coin at  $15\frac{1}{2}:1$ , while you keep the ratio 16:1, it is not you, but we, who will have to bear the brunt and the cost of the rehabilitation of silver. All the bullion will, under free coinage, come to us, for who is going to have silver coined in the United States, where it takes 16 ounces to purchase an ounce of gold, when, by sending it to Europe, he can purchase the gold with  $15\frac{1}{2}$  ounces?" On the other hand, if our purpose was to go to the French ratio, upon condition of general free coinage, then our action in going on coining two mill-

ions and more of silver dollars a month, at our own ratio, was pure folly. All the dollars so coined would have to be coined over again, occupying our mints for months or years, not to speak of the popular confusion which would result from the existence of tens or hundreds of millions of 16:1 dollars, when the new 15½:1 dollars should be put forth.

The second reason against the coinage of any considerable body of silver in 1878 was even stronger yet. By entering the market for silver at that time we were certain to diminish, just so far, the pressure upon the European States, both those of the Latin Union and those out of the Union, to undertake measures for the rehabilitation of that metal. Germany, by her Act of Demonetization, had left upon her hands an enormous mass of now depreciating silver. England had, by the same act, found her Indian finances going to pieces in the most disastrous manner. France and her allies were obliged to close their mints to silver, and to strengthen themselves on the gold side. To each and all of these powers the coinage under the act of February 28, 1878, was a gratuitous gift. We put our fingers into the door and took the squeezing which of right belonged to them. Just so far as our monthly purchases held up the price of silver, it made them just so much the less anxious to take steps, at a certain large cost and with possible failure in view, to remedy the evils of German demonetization.

Under these circumstances it is not strange that the Monetary Conference, initiated by the act of February 28, 1878, failed to accomplish anything for the cause of silver. I would not be understood as charging that failure solely upon the coinage provision of the Allison bill. Probably the Conference would have been without result had that provision not been enacted. Reason enough existed in the situation aside from this. Germany still stood on her action of 1871-3, and contemptuously held aloof. England, conservative to the last degree in all matters of weights, measures and coinage, would have been glad to see other powers take measures for the rehabilitation of silver; but had not the slightest intention of joining in them herself. Even

the Latin States were divided by jealousies and causes of complaint which had arisen among them in consequence, first, of the restriction and severity of the practical suspension of coinage under the act of the Union. Yet all this does not make the coinage provision of the act of 1878 any the less foolish. Had the delegates of the United States gone to Paris simply authorized to say that the United States were ready and eager to undertake the coinage of silver in concurrence with European States, and would bear their full share of whatever that might involve, they would have been in a far better diplomatic position.

The lapse of time, the larger experience of gold monometallism, does not seem to have reconciled the world to the demonetization of silver. I have no doubt that our delegates at Brussels were fully justified in speaking of the American people as unanimous in their desire for a restoration of the situation of 1873, with the difference, only, of additional safeguards derived from the accession of a larger number of commercial States. For myself, I believe that were this country, after a full and free discussion, called to a *plebiscitum* on the question of confirming a treaty by which England, France and the United States, or Germany, France and the United States, entered into a monetary alliance, on terms similar to those of the Latin Union, the negative votes would not attain to the dignity of the "scattering" of an ordinary election.

In England, there has been a steady, though not rapid, movement of public opinion in the same direction. Nearly all the eminent political economists of the United Kingdom fully concede the validity of the bimetallic argument,<sup>1</sup> some of them, like Nicholson and Foxwell, being active propagandists. Lord Herschell's Commission divided on the proposition to recommend the adhesion of England to that cause in a manner which would have been impossible fourteen years ago; while the Commission unanimously gave assent to opinions which make the

<sup>1</sup> Prof. Alfred Marshall, of Cambridge, easily the head of the English economists, has more than once told me that, as between bimetallism and gold monometallism, he is a bimetallist.

position of the gold monometallists, if not untenable, at least a very uncomfortable one. Manchester is a bimetallic center. The East Indian interests are all for the restoration of silver to its former grade. The agricultural clubs of England have spoken with practical unanimity in favor of bimetallism. In the last cabinet there were not a few sympathizers with "silver," and two or three warm advocates of it. The number of professed bimetallicists in the newly elected Parliament is distinctly larger than in the preceding one. Yet all this does not suffice to create in my mind the expectation that conservative England will, at an early date, consent to important changes in her coinage system and her currency laws. On the other hand, the recent defection of Austria, under influences which I do not profess to understand, has dealt a severe blow at the prospects of bimetallism. It looks very much as though, in the matter of the use of silver as money, things would have to be worse before they can be better.

Meantime many people in the United States have, with our characteristic national impatience and petulance, become highly restive under the long delay and deferring of hope, and now propose that America shall "go it alone" in supporting the value of silver. They believe, or profess to believe, that the United States, by themselves, could establish and maintain bimetallism. Beyond doubt there is a very large proportion of instances in which this opinion is not a sincere one. It is due to the influences of the silver-mining interests, reckless as to the general welfare and willing to do anything which will temporarily enhance the value of their products, regardless of what may befall in even a near future. A still greater part of the force which has given rise to the movement for free coinage has been contributed by the inflationists. Two or three years ago, the farmer and planter class, south and west, had become desperate under the continued depression of agricultural prices and the increase of mortgage-indebtedness, and besieged Congress with vehement demands for the immediate opening of our mints to silver bullion in amount unlimited. Some genuine bimetal-

lists were carried away by the excitement to join in the movement, on the ground that the United States alone could turn the scale in favor of silver.

Unfortunately the demand was not, in the first instance, met with the courage and constancy which alone avail in dealing with a case of popular frenzy and folly regarding the currency. I am so little of a doctrinaire that I should hesitate to say that, in all matters political, flat and contemptuous resistance to unreasonable demands and evil measures is always a safe policy. But all my study of financial history has tended to create an increasing conviction that the only good policy in dealing with financial crazes is to fight them, from the word go, without asking or giving quarter. But the men of 1890, to whom the people had entrusted their powers of legislation, did not deal with the matter in this spirit. They showed lack of comprehension, of courage and of nerve. Doubtless politics, in the lowest sense of the word, entered not a little to affect their temper, and the coming presidential election cast its baleful shadow before. But at any rate, many of these men affected to believe, some in unquestionable good faith did believe, that, partisan purposes and policies aside, if those who stood for sound currency and honest money in Congress did not concede something, they would be swept altogether off their feet, and free coinage would be established by an overwhelming force. So believing, or affecting to believe, many, of whom better things were to have been expected, joined the free-coinage men in establishing the law of that year, by which the amount of the silver purchases of the Treasury was doubled, though the silver bullion so purchased was not necessarily to be coined, as by the act of 1878, but was to be held in the Treasury, while certificates were to be issued upon them.

The act of 1890 has greatly, enormously, increased the perils of our financial situation. The coinage of two millions and more of silver dollars, per month, since 1878 has been bad enough; the purchase of 54,000,000 ounces of silver bullion a year is a much more serious matter. It has given tremendous



impetus to the dangerous movement upon which we entered in 1878. It is apparently fast sweeping us onwards to the gulf of silver monometallism. From this there is no escape except through the concurrence of European nations in setting up a genuine bimetallic system, or through the prompt and peremptory repeal of this objectionable law. The former way of escape is not likely to be opened to us. It remains to be seen whether the people of the United States have political virtue enough to rescue themselves, their public faith and their commercial credit from a most compromising and perilous position, to that end defying alike mistaken opinion and the clamors and threats of selfish interests. Some encouragement, at least, in this situation we may derive from the results of the manful fight waged against the silver inflationists in the last session of Congress; from the attitude of the two great national parties on the silver question, in the recent canvass; and from the well-known views and character of the incoming President.

BOSTON, MASS.

FRANCIS A. WALKER.